GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2693
ANSWERED ON:31.08.2007
FISCAL HURDLE IN INDIAN MARKET
Adhalrao Patil Shri Shivaji;Verma Shri Ravi Prakash

Will the Minister of FINANCE be pleased to state:

(a) Whether the Union Government has set up a committee to look into the issues regarding tax structure on gems and jewellery ;

(b) If so, the details thereof;

(c) whether the committee has made its recommendations; and

(d) if so, the steps taken by the Union Government to implement these recommendations?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a)& (b) Yes sir. Government had set up an Expert Body on 31st March, 2006, to look into the potential of the gems and jewellery sector and the prevalent taxation practices in India and abroad, and make suitable recommendations with regard to the holistic development of this sector to enable India to be a hub for this sector.

(c) Yes sir.

(d)

(i) Basic customs duty on cut and polished diamonds has been reduced from 5% to 'nil'
(ii) Basic customs duty on rough synthetic gemstones has been reduced from 12.5% to 5%
(iii) Basic customs duty on capital goods in general i.e. including machinery for cutting and polishing, and for processing of synthetic stones, has been reduced from 12.5% to 7.5%
(iv) The government has decided to introduce a benign assessment procedure for assessees engaged in diamond manufacturing and trading who declare a specified percentage of profits from such activities of the turn over.
(v) RBI has allowed advance remittances for import of rough diamonds into India from the companies, namely Diamond Trading Company Pvt.Ltd.,U.K, Rio Tinto, U.K., BHP Billion, Australia, Endiama,E.P. Angola, Alrosa, Russia and Gokharan,Russia vide AP(DIR series) Circular No 34 dated 2-3-2007
(vi) Government is currently deliberating on the structure of the proposed National Gem and Jewellery Council.